Affin Hwang World Series - Global Target Return Fund

Quarterly Report

28 February 2022

Out think. Out perform.

AFFIN HWANG
CAPITAL

MANAGER
Affin Hwang Asset Management Berhad
199701014290 (429786-T)

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AFFIN HWANG WORLD SERIES – GLOBAL TARGET RETURN FUND

Quarterly Report and Financial Statements
As at 28 February 2022

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QUARTERLY REPORT

FUND INFORMATION

Fund Name	Affin Hwang World Series – Global Target Return Fund
Fund Type	Growth
Fund Category	Feeder (Wholesale)
Investment Objective	The Fund seeks to achieve capital appreciation over medium to long term period
Benchmark	USD LIBOR 3 Months
Distribution Policy	The Fund is not expected to make distribution. However, incidental distribution may be declared whenever is appropriate.

FUND PERFORMANCE DATA

USD Class

Category	**As at 28 Feb 2022**	**As at 30 Nov 2021**
Total NAV (million)	0.175	0.514
NAV per Unit (USD)	0.5677	0.5827
Unit in Circulation (million)	0.308	0.882

MYR-Hedged class

Category	**As at 28 Feb 2022**	**As at 30 Nov 2021**
Total NAV (million)	4.674	3.944
NAV per Unit (RM)	0.5863	0.5996
Unit in Circulation (million)	7.972	6.577

SGD-Hedged class

Category	**As at 28 Feb 2022**	**As at 30 Nov 2021**
Total NAV (million)	0.384	0.394
NAV per Unit (SGD)	0.5427	0.5571
Unit in Circulation (million)	0.708	0.708

AUD-Hedged class

Category	**As at 28 Feb 2022**	**As at 30 Nov 2021**
Total NAV (million)	0.599	0.726
NAV per Unit (AUD)	0.5456	0.5626
Unit in Circulation (million)	1.098	1.291

GBP-Hedged class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	0.909	0.934
NAV per Unit (GBP)	0.5277	0.5423
Unit in Circulation (million)	1.722	1.722

EUR-Hedged class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	0.052	0.054
NAV per Unit (EUR)	0.4918	0.5064
Unit in Circulation (million)	0.106	0.106

RMB-Hedged class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	0.013	0.013
NAV per Unit (RMB)	0.5894	0.6012
Unit in Circulation (million)	0.022	0.022

HKD-Hedged class

Category	As at 28 Feb 2022	As at 30 Nov 2021
Total NAV (million)	1.240	1.273
NAV per Unit (HKD)	0.6623	0.6800
Unit in Circulation (million)	1.872	1.872

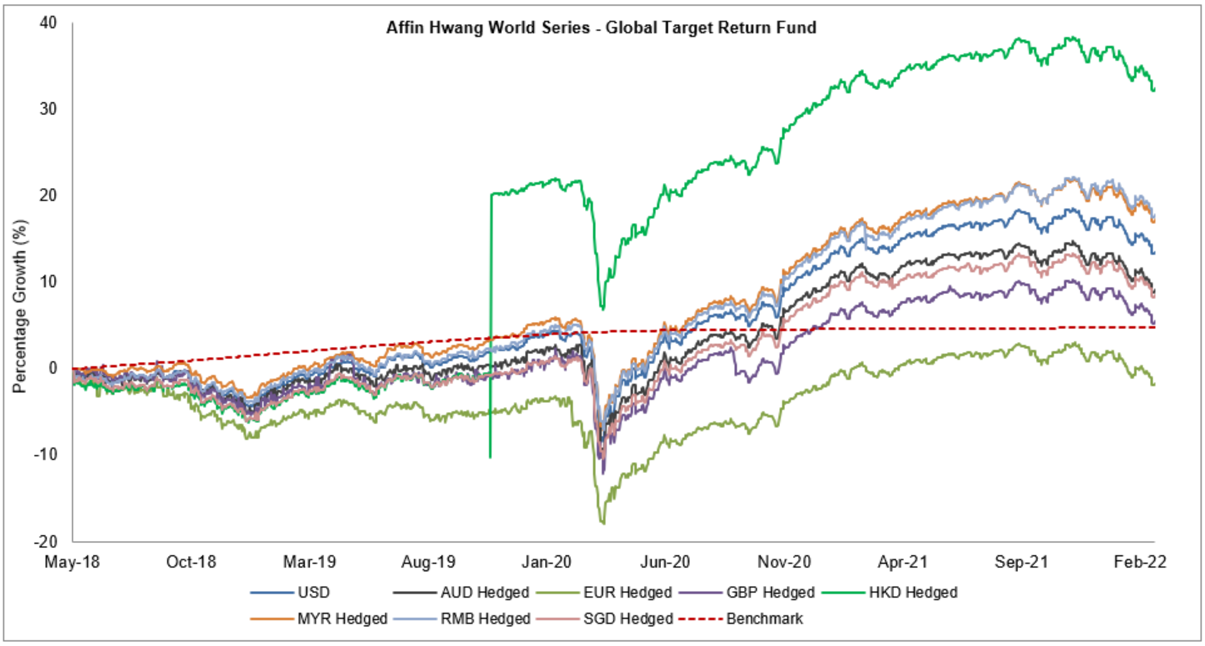
Performance as at 28 February 2022

	3 Months (1/12/21 - 28/2/22)	6 Months (1/9/21 - 28/2/22)	1 Year (1/3/21 - 28/2/22)	3 Years (1/3/19 - 28/2/22)	Since Commencement (14/5/18 - 28/2/22)
Benchmark	**0.07%**	**0.11%**	**0.18%**	**2.77%**	**4.82%**
USD	**(2.57%)**	**(3.68%)**	**(0.32%)**	**14.34%**	**13.54%**
Outperformance	**(2.64%)**	**(3.79%)**	**(0.50%)**	**11.57%**	**8.72%**
AUD Hedged	**(3.02%)**	**(4.28%)**	**(1.64%)**	**10.80%**	**9.12%**
Outperformance	**(3.09%)**	**(4.39%)**	**(1.82%)**	**8.03%**	**4.30%**
EUR Hedged	**(2.88%)**	**(4.06%)**	**(1.26%)**	**3.36%**	**(1.64%)**
Outperformance	**(2.95%)**	**(4.17%)**	**(1.44%)**	**0.59%**	**(6.46%)**
GBP Hedged	**(2.69%)**	**(3.70%)**	**(0.98%)**	**7.65%**	**5.54%**
Outperformance	**(2.76%)**	**(3.81%)**	**(1.16%)**	**4.88%**	**0.72%**
HKD Hedged	**(2.60%)**	**(3.75%)**	**(0.45%)**	**35.94%**	**32.46%**
Outperformance	**(2.67%)**	**(3.86%)**	**(0.63%)**	**33.17%**	**27.64%**
MYR Hedged	**(2.22%)**	**(3.06%)**	**0.89%**	**16.93%**	**17.26%**
Outperformance	**(2.29%)**	**(3.17%)**	**0.71%**	**14.16%**	**12.44%**

RMB Hedged	**(1.96%)**	**(2.47%)**	**2.20%**	**18.12%**	**17.88%**
Outperformance	**(2.03%)**	**(2.58%)**	**2.02%**	**15.35%**	**13.06%**

SGD Hedged	**(2.58%)**	**(3.71%)**	**(1.29%)**	**11.32%**	**8.54%**
Outperformance	**(2.65%)**	**(3.82%)**	**(1.47%)**	**8.55%**	**3.72%**

Movement of the Fund versus the Benchmark



"This information is prepared by Affin Hwang Asset Management Berhad (AFFINHWANGAM) for information purposes only. Past earnings or the fund's distribution record is not a guarantee or reflection of the fund's future earnings/future distributions. Investors are advised that unit prices, distributions payable and investment returns may go down as well as up. Source of Benchmark is from Bloomberg."
Benchmark: USD LIBOR 3 Months

Past performance is not necessarily indicative of future performance and that Unit prices and investment returns may go down, as well as up.

Asset Allocation

Fund's asset mix during the period under review:

	28 February 2022
	(%)
Unit Trust	98.09
Derivative	-0.85
Cash & money market	2.76
Total	**100.00**

Strategies Employed

The strategy continues to be positioned for moderate performance from risk assets as policy settings remain favourable for ongoing global recovery. The Manager continues to deploy our risk cautiously and selectively as we believe this period of market transition can continue until we have further clarity on the path of inflation and the policy responses – and that is unlikely to be known until sometime in 2022 due to ongoing supply-driven bottlenecks.

Market Review

October delivered the much-dreaded 'taper tantrum' scenario which saw yields aggressively reprice higher. However, somewhat surprisingly, risk assets hardly blinked – with major US equity indices hitting record highs. Historically, only a surprise policy change from the US Federal Reserve (Fed) has invoked such a dramatic domino-effect repricing of rates markets, yet the Fed was mostly silent throughout October (partly due to their two-week media blackout ahead of their next meeting). The initial move higher in rates started with the Bank of England (BoE) signalling earlier-than-expected rate increases. That was quickly followed up by hawkish messaging from the Reserve Bank of New Zealand (RBNZ), and then the Bank of Canada (BOC) which announced an end to its quantitative easing program. The final straw was the higher-than-expected September quarter inflation data in Australia. The market reaction to Australian inflation data was swift and severe, resulting in a six-standard-deviation move in yields for Australian three-year maturity bonds – which forced the Reserve Bank of Australia (RBA) to abandon their policy of yield curve control.

These expected policy pivots are being driven by the continuing rise in inflation, which is leading many to question the assumption that inflation will be transitory rather than structural. Supply disruptions and bottlenecks are persisting and now we are witnessing an uptick in the more cyclical elements of inflation as economies reopen and pent-up demand is released. This trend is exemplified by the Employment Cost Index (ECI) in the US, which measures wage growth. The ECI is now tracking at 4.2% over the past 12 months. With wages rising we have potential to switch the cause of inflation from 'bad' supply-constrained inflation to 'good' demand-driven inflation. This could trigger additional monetary policy tightening above what is currently factored into yield curves.

October's developments didn't really change our outlook. Expensive equity valuations and narrow credit spreads continue to provide elevated risks should we see any negative surprises. In a period of rising inflation markets tend to change their behaviour and correlations can shift meaningfully and rapidly. It's this potential change in market behaviour that drove our recent reduction in our higher risk credit-based exposures, such as global high yield bonds. Their lower correlation to equities can make them a helpful diversifier, but with spreads trading at historical lows the reward for risk of holding such expensive assets is diminished due to their negative payoff asymmetry – simply put, there's more downside than upside.

Despite the volatility in rates markets, equities weren't particularly fazed by the sharp moves. Admittedly, where rates repriced the most (i.e. the UK and Australia) equity markets lagged, but even they finished in positive territory by month-end. As we've become accustomed to, the US market led the move higher with the S&P500 rallying 6.9%, reversing September's fall, as companies continue to report above expected earnings growth for the third quarter. While we are first to acknowledge that equities aren't cheap, their potential for additional upside remains hence our relative preference for equities over credit-based assets where capital gains are more limited. It's this continuing 'quality' of earnings and potential to grow into higher valuations that led us to increase our US equities exposure in October.

Investment Outlook

Equity

A strong third quarter earnings season in the US helped to push equity markets higher. Thus far, almost 80% of companies have beaten their earnings estimates, while the upside surprise in earnings-per-share is around +10% relative to expectations. While these numbers are slightly lower than what they have been over the past few quarters, suggesting that we have already seen peak earnings growth, they still indicate healthy levels of earnings growth, primarily driven by an uplift in profit margins. Earnings, in other regions, have also been relatively strong, albeit not to the same extent as the US. Developed market (DM) equities rose by 5.6% in local currency terms, primarily driven by the 6.9% return in the S&P 500.

Through October, we increased our equity weight by 3% taking the equity weight to 35%, through S&P500 and Russell 2000 futures. Our equity allocation includes additional exposure we have gained through our options strategy, where our S&P 500 call options moved into the money and provides the portfolio with additional upside exposure beyond the 35% physical allocation, in the order of 5% delta adjusted exposure. Within our options structure, we also continue to maintain short dated put spreads to protect the portfolio against moderate falls of 2.5% to 10.0% in US equities. Finally, we added marginally to our Euro Stoxx Dividend Futures position, taking the allocation up to 1.5%.

Fixed Income
Globally, supply chain disruptions and higher energy prices continue to put pressure on the inflation outlook. US 10 year yields rose by 0.06% to finish at 1.55%, while German and Japanese 10 year yields increased by 0.09% and 0.03% respectively for the month. The dislocation of the Australian bond market was the most stark, with 3 year yields moving almost 0.9% higher in October to finish the month at 1.22%, while Australian 10 year yields moved higher by 0.6% during the month to close at 2.09%. Credit spreads were generally flat for the month, across both investment grade and high yield, as well as emerging market debt.

During the month, we added 0.25 years to the portfolio’s duration target through the Australian 3-year futures following the significant yield increases, bringing duration to 1.25 years in total. We also added an Australian curve flattening position (long 30y / short 5y) given the steepness of the Australian curve compared to the rest of the world, and the expectation that RBA could be forced into increasing official rates earlier than it had previously anticipated – thus far this is playing out. Finally, we extended our US curve position slightly by moving 0.75yrs of duration further along the yield curve, implemented by selling 10 year futures (~6 year duration) and buying the US 10 year ultra futures (~9 year duration).

Currency
The Dollar Index (DXY) was broadly flat for the month, with the British pound (GBP) posting a small rally, while the Japanese yen (JPY) sold off. Our Euro (EUR) position was flat but our long JPY against Canadian dollar (CAD) position fell 4.6% over the month. The rally in the CAD was aligned with other commodity currencies, which were very strong over the month. While this cost performance, it is not unexpected given US equities were up almost 7% for the month. We continue to hold the position as a risk off hedge to provide an offset for potential equity market weakness.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2022

	Financial period ended 28.2.2022 USD	Financial period ended 28.2.2021 USD
INVESTMENT (LOSS)/INCOME		
Net (loss)gain on foreign currency exchange	(7,172)	4,828
Net (loss)/gain on forward foreign currency contracts at fair value through profit or loss	(127,986)	304,026
Net (loss)/gain on financial assets at fair value through profit or loss	(38,431)	387,904
	(173,589)	696,758
EXPENSES		
Management fee	(42,029)	(34,013)
Trustee fee	(1,121)	(914)
Auditors' remuneration	(1,450)	(1,472)
Tax agent's fee	(634)	(643)
Other expenses	(3,026)	(4,442)
	(48,260)	(41,484)
NET (LOSS)/PROFIT BEFORE TAXATION	(221,849)	655,274
Taxation	-	-
(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	(221,849)	655,274
(Decrease)/increase in net asset attributable to unitholders is made up of the following:		
Realised amount	(29,229)	410,380
Unrealised amount	(192,620)	244,894
	(221,849)	655,274

AFFIN HWANG WORLD SERIES - GLOBAL TARGET RETURN FUND

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022

	2022 USD	2021 USD
ASSETS		
Cash and cash equivalents	179,917	111,395
Amount due from Manager		
- creation of units	-	12,070
- management fee rebate receivable	3,191	2,529
Financial assets at fair value through profit or loss	3,369,790	2,675,400
Forward foreign currency contracts at fair value through profit or loss	3,698	22,558
TOTAL ASSETS	3,556,596	2,823,952
LIABILITIES		
Forward foreign currency contracts at fair value through profit or loss	32,940	388
Amount due to brokers	80,000	-
Amount due to Manager		
- management fee	3,991	3,183
- cancellation of units	-	37,431
Amount due to Trustee	107	85
Auditors' remuneration	1,450	1,660
Tax agent's fee	933	913
Other payable and accruals	1,813	1,827
TOTAL LIABILITIES (EXCLUDING NET ASSET ATTRIBUTABLE TO UNITHOLDERS)	121,234	45,487
NET ASSET VALUE OF THE FUND	3,435,362	2,778,465
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	3,435,362	2,778,465
REPRESENTED BY:		
FAIR VALUE OF OUTSTANDING UNITS		
- AUD-Hedged Class	431,368	800,468
- EUR-Hedged Class	58,279	10,893
- GBP-Hedged Class	1,213,767	115,941
- HKD-Hedged Class	158,671	160,557
- MYR-Hedged Class	1,113,638	1,070,973
- RMB-Hedged Class	2,054	1,959
- SGD-Hedged Class	282,726	110,244
- USD Class	174,859	507,430
	3,435,362	2,778,465

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022 (CONTINUED)

	2022 USD	2021 USD
REPRESENTED BY (CONTINUED):		
NUMBER OF UNITS IN CIRCULATION		
- AUD-Hedged Class	1,098,000	1,841,000
- EUR-Hedged Class	106,000	18,000
- GBP-Hedged Class	1,722,000	156,000
- HKD-Hedged Class	1,872,000	1,872,000
- MYR-Hedged Class	7,972,000	7,459,000
- RMB-Hedged Class	22,000	22,000
- SGD-Hedged Class	708,000	266,000
- USD Class	308,000	891,000
	13,808,000	12,525,000
NET ASSET VALUE PER UNIT (USD)		
- AUD-Hedged Class	0.3929	0.4348
- EUR-Hedged Class	0.5498	0.6052
- GBP-Hedged Class	0.7049	0.7432
- HKD-Hedged Class	0.0848	0.0858
- MYR-Hedged Class	0.1397	0.1436
- RMB-Hedged Class	0.0934	0.0890
- SGD-Hedged Class	0.3993	0.4145
- USD Class	0.5677	0.5695
NET ASSET VALUE PER UNIT IN RESPECTIVE CURRENCIES		
- AUD-Hedged Class	AUD0.5456	AUD0.5547
- EUR-Hedged Class	EUR0.4918	EUR0.4981
- GBP-Hedged Class	GBP0.5277	GBP0.5329
- HKD-Hedged Class	HKD0.6623	HKD0.6653
- MYR-Hedged Class	RM0.5863	RM0.5811
- RMB-Hedged Class	RMB0.5894	RMB0.5767
- SGD-Hedged Class	SGD0.5427	SGD0.5498
- USD Class	USD0.5677	USD0.5695

AFFIN HWANG WORLD SERIES - GLOBAL TARGET RETURN FUND

STATEMENT OF CHANGES IN ASSET ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2022

	Financial period ended 28.2.2022 USD	Financial period ended 28.2.2021 USD
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE FINANCIAL PERIOD	2,429,528	3,839,782
Movement due to units created and cancelled during the financial period		
Creation of units arising from applications	2,317,381	317,983
- AUD-Hedged Class	139,113	41,661
- EUR-Hedged Class	51,536	-
- GBP-Hedged Class	1,197,264	-
- HKD-Hedged Class	-	157,113
- MYR-Hedged Class	502,417	112,418
- RMB-Hedged Class	-	1,641
- SGD-Hedged Class	366,377	-
- USD Class	60,674	5,150
Cancellation of units	(1,089,698)	(2,034,574)
- AUD-Hedged Class	(279,492)	(680,203)
- GBP-Hedged Class	(7,251)	(121,095)
- MYR-Hedged Class	(362,738)	(1,074,820)
- RMB-Hedged Class	-	(17,797)
- SGD-Hedged Class	(79,664)	(79,707)
- USD Class	(360,553)	(60,952)
Net (decrease)/increase in net assets attributable to unitholders during the financial period	(221,849)	655,274
- AUD-Hedged Class	(63,141)	273,441
- EUR-Hedged Class	(4,407)	1,855
- GBP-Hedged Class	(96,473)	33,301
- HKD-Hedged Class	(5,082)	3,214
- MYR-Hedged Class	(30,062)	261,113
- RMB-Hedged Class	9	3,813
- SGD-Hedged Class	(12,006)	23,407
- USD Class	(10,687)	55,130
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE FINANCIAL PERIOD	3,435,362	2,778,465

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